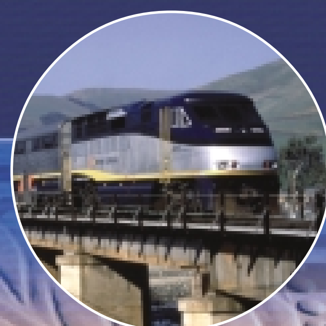
Federal Transportation Reauthorization
Beyond TEA-21

California's Consensus



March 2003

CALIFORNIA PARTNERSHIP FOR CONCENSUS ON REAUTHORIZATION OF TEA 21

Summary

This brochure illustrates the principles adopted by California's transportation stakeholders by highlighting the successes we have had with Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) and Transportation Equity Act for the 21st Century (TEA-21). The real question is what lies ahead for California; what will the state do to improve its transportation systems for the future?

There are serious challenges to our well-being. Californians want to increase their overall mobility; but escalating congestion increases travel time and costs. The amount of goods coming through our ports and border crossings is increasing, but our ability to move them to their destinations is threatened by a need to improve our infrastructure. Demand for convenient transit and rail systems is on the rise; however, systems are constrained in their ability to provide service. Our growing population is pushing out into the Central Valley, Inland Empire, and the foothills of the Sierras which creates the need for transportation infrastructure and services in areas where none exist or systems are inadequate.

Californians have used the tools and assets provided by ISTEA and TEA 21 to lay the foundations for dealing with these problems, but more must be done.

California is doing its share to meet the imperatives of national and global security and economic activity. But growth in population and mobility needs threaten this progress. Federal transportation programs must reflect the growth and economic vitality in California and other states.

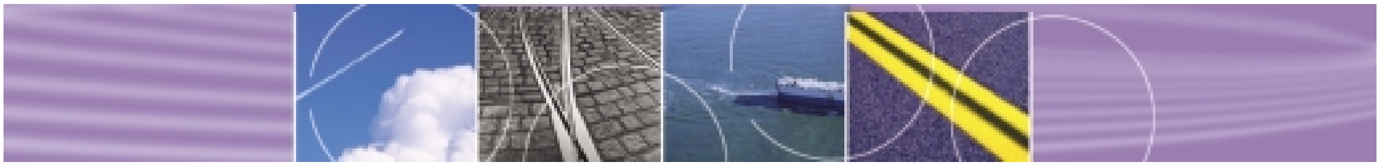
The benefits of the projects, programs and funding described in this brochure cannot be fully realized without continued growth in federal commitment of funds and flexibility to their application.

The benefits of the projects, programs and funding described in this brochure cannot be fully realized unless Reauthorization of TEA 21:

- Increases funding levels for all programs;
- Maintains existing programs and improves our flexibility;
- Protects the gains that California has made for its program funds; and
- Ensures that California efficiently delivers projects without compromising the state's environment.

To facilitate these goals the California Partnership for Consensus on Reauthorization of TEA 21 has adopted principles for funding, equity, program structure and project delivery as guidance for reauthorization policy. These principles are described throughout this brochure.

We stand ready to support our congressional delegation in making these goals and principles a reality of Reauthorization.



Federal Transportation Reauthorization Beyond TEA-21

California's Consensus

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California – The Nation's Economic Engine

Photo courtesy of Port of Long Beach

In a press release dated October 7, 2002, President Bush described the value of the West Coast ports as follows: "Each shipping container at these ports holds a part of the national economy – from produce to computers, spare auto parts to lumber, consumer electronics to grain and wheat. Any household good imported to be sold on an American store shelf can be found in these containers."

As we near Reauthorization of TEA 21, it is clear that its basic tenets, as well as those of ISTEA, must be preserved.

However, more must be done to support the state's position as the fifth largest economy in the world. Reauthorization must recognize that, as a state, California is the leading supporter of the national economy. California's Gross State Product is $1.392 trillion which is almost 14 percent of the Nation's Gross Domestic Product. Trade from just the ports of Los Angeles and Long Beach creates over 2,020,500 jobs in the nation with a value of $97.3 billion to the economies of the other 49 states. Goods movement between California and the nation represents significant volumes on our nation's highways (see Fig. 1, Page 5). In addition, domestic and international surface trade between the states make significant contributions to other regions of the country. Goods movement between California and the nation represents significant volumes on our nation's highways (see Fig. 2, Page 5).

A transportation investment in California yields returns all over the nation by creating employment and increasing wealth in other states and furthering our overall leadership in the world.

California is an economic superpower in its own right, nearly equalling the United Kingdom in gross domestic product. Continuing the state's leading role in the world economy depends upon maintaining and enhancing the efficiency of its transportation system. However, the state's transportation systems are threatened by increasing congestion and maintenance needs which challenge commuters and industry alike. The Reauthorization process must recognize the economic importance of California's transportation systems to the national economy.

CALIFORNIA'S GLOBAL STANDING

1.	United States of America	$ 10,171
2.	Japan	4,245
3.	Germany	1,874
4.	United Kingdom	1,406
	CALIFORNIA	**1,392**
5.	France	1,303
6.	China (excluding Hong Kong)	1,159
7.	Italy	1,091
8.	Canada	677
9.	Brazil	618
10.	Mexico	577

Dollar Equivalents in Billions

Source: California Trade and Commerce

Taking Our Success with TEA-21 Through Reauthorization

California has had much success with increased funding and flexibility and collaborative planning and programming processes of Intermodal Surface Transportation and Efficiency Act (ISTEA) and Transportation Equity Act for the 21st Century (TEA 21).

Governor Gray Davis, the Business, Transportation and Housing Agency, The California Department of Transportation and other administration agencies and departments have been working with local and regional government, the private sector, public interest groups, and other concerned transportation stakeholders over the past year to develop a consensus on the key items that must be achieved to ensure the state's continued success. This brochure highlights their work, and is intended to support our congressional delegation in developing a unified position during this current, critical period in transportation funding history.

In brief summary, these principles are based on the following strategies:

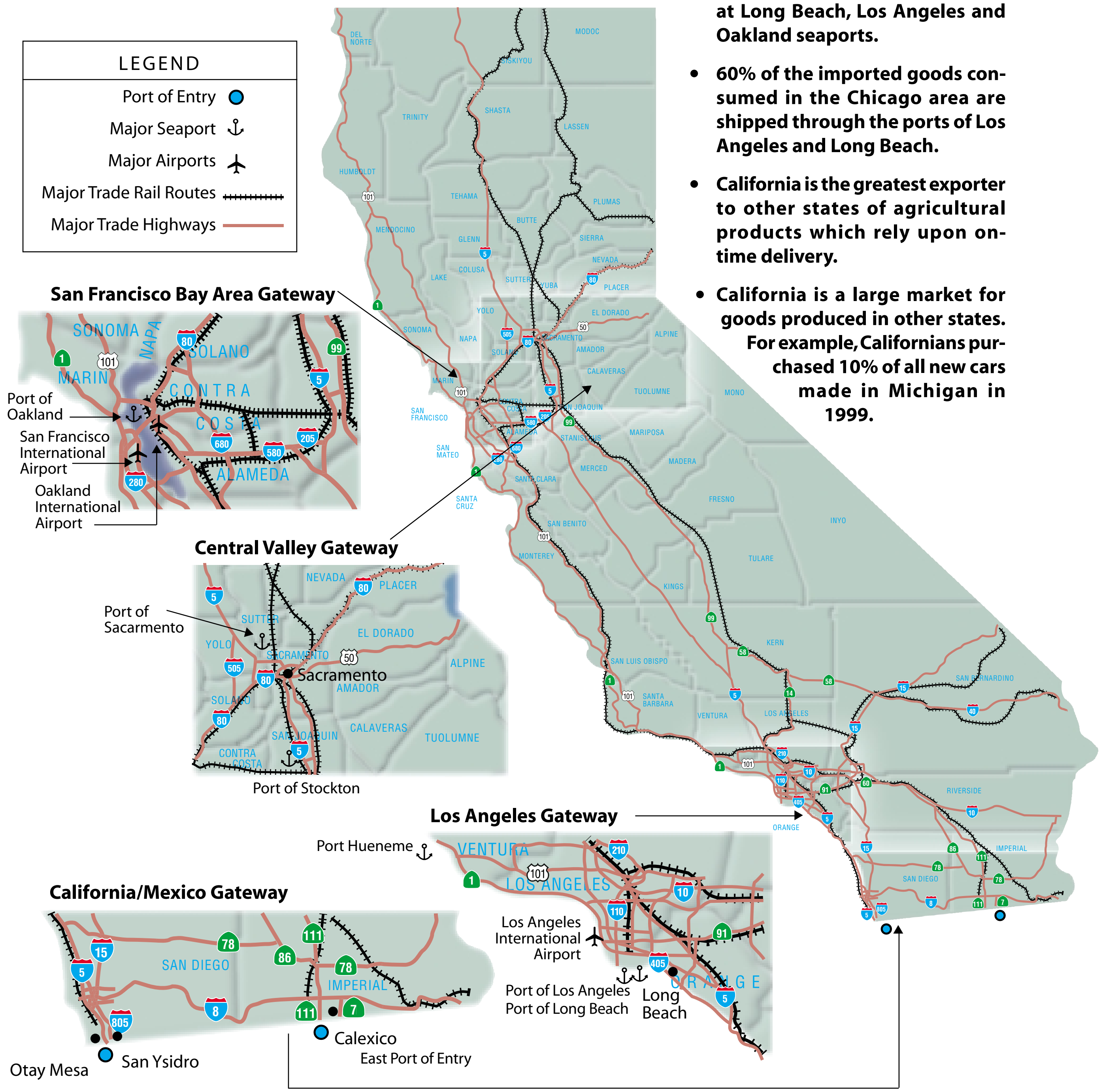
- **To continue the historic increase in funding levels that has occurred between the authorizations of Surface Transportation and Uniform Relocation Assistance Act (STURRA1987-1991) and ISTEA (1992-1997) to TEA 21 (1998-2003);**
- **To support the existing programs and flexibility of TEA 21;**
- **To protect the gains that California has made in all areas of funding and its ability to apply those funds to programs and projects that best meet the state's needs; and**
- **To ensure that the state can deliver its projects with its federal funds as expeditiously as possible without compromising the integrity of the state's environment.**

It is our hope that the reader will support these principles and strategies as we go into the Reauthorization process.

Fueling the Engine: Global Gateways

California is a global gateway for the country by virtue of its strategic location on the Pacific Rim; its border with Mexico, California's largest trading partner; and its major ports in Oakland, San Francisco, Los Angeles and Long Beach.

- **California's global gateways, including its seaports and airports, trade corridor railways and highways and ports of entry, are the largest transportation complex in the United States.**
- **40% of the nation's container volume is routed through California at Long Beach, Los Angeles and Oakland seaports.**
- **60% of the imported goods consumed in the Chicago area are shipped through the ports of Los Angeles and Long Beach.**
- **California is the greatest exporter to other states of agricultural products which rely upon on-time delivery.**
- **California is a large market for goods produced in other states. For example, Californians purchased 10% of all new cars made in Michigan in 1999.**



Source: Global Gateways Development Program

Fueling the Engine: Global Gateways

Figure 1

The map above depicts tonnage of goods moved by trucks between the rest of the nation and the ports of LA/Long Beach, Oakland/SF Bay Area and across our border with Mexico. All of California's major highways move 10-50 million tons of goods per year. The networks supporting the Bay Area, Southern California and the border exceed 50 million tons per year. The state and local governments bear most of the cost of mitigating congestion caused by truck movement on these networks.

Source: Federal Highway Administration, Office of Freight Operations, (1998 data).

Figure 2

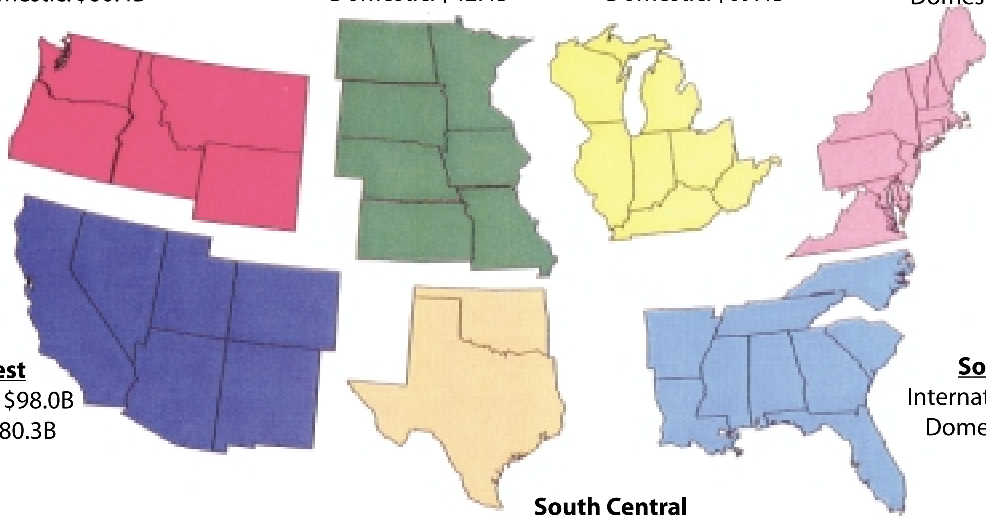
The 2000 Two-Way Surface Trade Between California and Regions of the United States

Northwest
International: $2.2B
Domestic: $60.4B

Great Plains
International: $8.6B
Domestic: $42.4B

Great Lakes
International: $25.0B
Domestic: $69.4B

Atlantic Seaboard
International: $34.4B
Domestic: $74.6B



Southwest
International: $98.0B
Domestic: $80.3B

Southeast
International: $16.0B
Domestic: $71.7B

South Central
International: $12.1B
Domestic: $54.2B

* Southwest international total includes CA's overseas trade; the domestic total excludes CA's $1.3 trillion trade with itself.

Source: OnTrac Trade Impact Study (Final)

Fueling the Engine: The Alameda Corridor and Alameda Corridor East

In 2002, the Alameda Corridor Transportation Authority opened the Alameda Corridor, a 20-mile freight rail path from the ports of Los Angeles and Long Beach to downtown Los Angeles. This grade separated corridor eliminates the need for rail crossings, thereby enhancing safety and efficiency and reducing surface congestion caused by the tremendous volume of containers coming out of the ports.

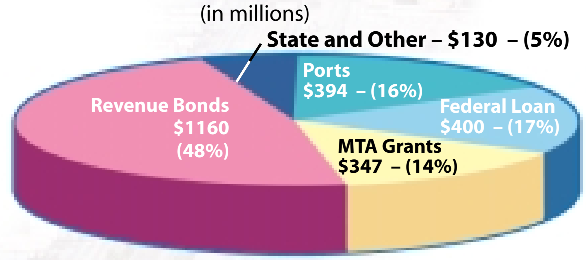
The Ports of Los Angeles and Long Beach handled 10.6 million twenty-foot equivalent (TEU) containers in 2002. Forecasts indicate that by 2020, this volume will more than triple to 33-36 million TEU. These two ports generate approximately 34,000 truck trips a day. This is expected to increase to 92,000 truck trips a day by 2020.

Approximately 50% of these containers leave for destinations outside of California. This project significantly relieves congestion in central Los Angeles. The Alameda Corridor, however, is just the first step. From there, trains move east via either the Union Pacific line through the San Gabriel Valley (on the Alameda Corridor East), or on the Burlington Northern Santa Fe line through northern Orange County via the Orange North-American Trade Rail Access Corridor (OnTrac).

For the Alameda Corridor to fulfill its potential, the rest of the goods movement network will have to be upgraded as well. Together these trade corridors will ensure the timely movement of goods entering and leaving the country via Southern California.

Alameda Corridor Sources of Funding

(in millions)



This project benefits the national economy and was made possible by a unique state, local and federal partnership to finance its construction. The Alameda Corridor Project not only expedited container movement for the ports, but is also a model for innovative finance. The project was among the first to use a federal loan as part of its financing structure. It eventually became the model for the Transportation Finance and Innovation Act (TIFIA).

Fueling the Engine: Otay Mesa Port of Entry

Otay Mesa Port of Entry (POE) and the State Route 905 (SR 905) corridor serve as the primary commercial truck crossing for national trade through California to and from Mexico. This is the only commercial crossing between the urban areas of San Diego and Tijuana. The Otay Mesa POE is located six miles east of the San Ysidro POE. The land uses surrounding the POE are primarily industrial and include warehousing for customs brokers and *maquiladoras* (foreign owned assembly plants), trailer storage facilities, industrial parks, fast food restaurants, and some retail activities.

98% of the national trade shipped across the California border to and from Mexico travels by truck, generating more than two million truck crossings at the California/Mexico border in 2000. The Otay Mesa POE currently handles two-thirds of all commercial truck traffic across the entire California/Mexico border. Across the U.S./Mexico border, the Otay Mesa POE processes the second highest dollar volume of exports and imports.

As U.S. border trade increases, new ports of entry will need to be developed. To respond to increasing demand, California is developing the Otay-Mesa East Port of Entry.

P R I N C I P L E S




FUNDING

PRINCIPLES FOR REAUTHORIZATION

- **Increase funding levels by raising annual obligation limits and spending down the unobligated balances in the Highway Trust Fund.**

- **Maintain the guaranteed funding levels and "firewalls" established in TEA 21 that match transportation expenditures to transportation revenues.**

- **Retain the Revenue Aligned Budget Authority (RABA) mechanism, but distribute the proceeds consistent with the historical split of gas tax proceeds both to the Highway and Mass Transit Accounts.**

- **Develop a mechanism to use available Highway Trust Fund balances to dampen the large swings in funding that could result from negative RABA adjustments. There should not be a major reduction in funding levels when Highway Trust Fund balances are high and can be used to mitigate negative RABA adjustments.**

- **Allow for easier access to and/or flexibility in qualifying projects from approved Regional Transportation Plans for innovative financing. This effort would include the modification of regulations and/or incentives for innovative financing arrangements including increased capitalization of infrastructure banks, debt-financing flexibility, direct treasury financing, access to public-private joint ventures, and the broadening of eligibility rules of the innovative financing program.**

The Federal, State and Local Partnership

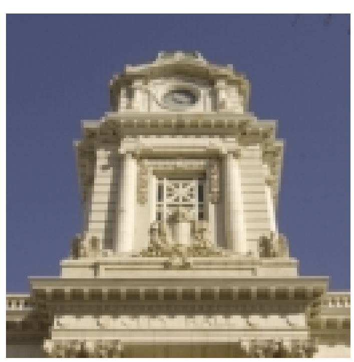
TEA 21 authorized $217 billion which increased transportation funding by almost 40% over ISTEA's $155 billion. California has more than matched federal apportionments as it funded a transportation system that is the keystone to the nation's international economic standing. California must work to increase the federal funding that has become the foundation of its transportation system investment strategy.

Although apportionments and allocations have historically grown from the inception of the highway program in the 1950's, this trend is in danger of being reversed. Current threats to growth of the federal program include gasoline tax discounts and diversions applied to ethanol blended fuels, movement to alternative fueled vehicles, a potential leveling off of fuel consumption, and federal budgetary priorities that hold down expenditures.

Current and past year Administration budget proposals are a preview of a potential reversal in growth in the federal program. In January 2002, citing potential declines in Highway Trust Fund revenues, the Administration proposed an $8.1 billion reduction in Revenue Aligned Budget Authority; the net result for California would have reduced the state's apportionments by $625 million. Congress proposed and passed a greater fund amount of $31.8 billion for highways that essentially freezes apportionments at 2002 levels. The President has reluctantly agreed to this funding level.

For federal fiscal year 2004, the Administration has proposed a $29.3 billion highway program which would have the net effect of reducing obligation authority by about $2.5 billion from 2002 levels. In addition, the Administration's plan for future funding as presented in the proposed 2004 Budget, would hold the program to $33 billion by 2008. This is approximately where the program should be now under historic funding trends. During this period, the Highway Trust Fund will maintain a cash balance of over $17 billion. These are user fees collected from the states that are not being re-distributed back to the states for needed transportation improvements.

Other proposals, including reductions in funding for the Surface Transportation Program and the transit program and increases in transit match ratios, threaten to reduce federal participation in the state and local partnership that sustains our transportation system. If adopted, California's transportation providers will be hard pressed to sustain their ability to deliver transportation projects and services at a pace that can ensure national economic recovery.



TEA 21 represented a historic increase in funding over ISTEA, assuring that more transportation revenues would be used to fund transportation programs, continuing the trend of growing the federal transportation program. The approximately $20 billion in highway and transit funds that have come to the state during TEA-21 yielded an average annual apportionment/allocation of $3.2 billion in core transportation programs. These funds support a surface transportation network that includes:

- **497 Transit Operators**
- **Over 170,000 miles of streets and roads**
- **15,205 miles of state highways**
  - **4,188 miles of freeways**
  - **1,639 miles of expressways**
  - **9,378 miles of conventional highways**
- **3,021 miles of other state owned roads**
- **12,656 state owned bridges and structures**
- **94 tunnels and tubes**
- **66,184 miles of county roads**
- **68,490 miles of city roads**
- **17,663 miles of federal roads**
- **902 miles of state supported intercity rail service**

California TEA-21 Apportionments and Allocations for Highway and Transit 1998 - 2003*

	Program	Amount
HIGHWAY	Interstate Maintenance (IM)	$ 2,284,674
	National Highway (NH)	2,998,391
	Congestion Mitigation and Air Quality (CMAQ)	2,014,707
	Surface Transportation Program (STP)	3,643,885
	Highway Bridge Replacement and Rehabilitation (HBRR)	1,713,131
	Statewide Planning and Research (SPR)	235,667
	Minimum Guarantee (MG)	1,150,164
	Recreational Trails (RT)	17,676
	High Priority (HP)	756,753

	Program	Amount
TRANSIT	Section 5307 - Urbanized Area	2,772,623
	Section 5311 - Non-Urbanized Area	54,398
	Section 5310 - Elderly and Persons with Disabilities	42,698
	Section 5309 - New Starts	1,154,754
	Section 5309 - Fixed Guideway Modernization	633,321
	Section 5309 - Bus Allocation	205,066
	Section 5303 - Metropolitan Planning	51,306
	Section 5313 - State Planning	9,601
	Section 5311 - RTAP	908,239

*FY 2003 estimate based on the President's budget proposal for FY 2003

Figures expressed in 1000's

Stepping Up to the Plate

As a state, California has more than stepped up to the plate to take on its transportation problems.

From Governor Davis' Traffic Congestion Relief Act of 2000, which committed $6.8 billion for transit and highway improvements, to the over $18 billion in local sales tax measures, the state has used an unprecedented amount of its funds to support the national transportation infrastructure. California's commitment to its transportation system has been ratified at all levels of government and individually by its citizens in multiple state and local ballot initiatives.

California's citizens on March 5, 2002 passed Proposition 42 with 69% of the vote. Proposition 42 directs the sales tax imposed on gasoline be used for transportation purposes. (Previously, these funds were deposited in the General Fund and used for nontransportation purposes.) Beginning in FY 2003-2004 and through FY 2007-08, Proposition 42 continues the exclusive use of these sales tax revenues as outlined in the Governor's Traffic Congestion Relief Act. These revenues, dedicated for the 141 projects identified in the Governor's Traffic Congestion Relief Program (TCRP), augment funding for the State Transportation Improvement Program (STIP) and the Public Transportation Account (PTA), and are for the maintenance and rehabilitation of local streets and roads. While the budget crisis in California and other states around the country may cause this number to decline by up to 20%, almost $1 billion has been spent on transportation and another $4 billion from the General Fund will flow under state law from 2004-2008.

Beyond FY 2007-2008, Proposition 42 revenues continue and are dedicated to the STIP, the PTA, and for the maintenance and rehabilitation of local streets and roads. Under optimum budget conditions, this would mean an additional $30 billion over the next 20 years would be made available for transportation projects. Passage of Proposition 42 by such an overwhelming majority is clear indication that California's citizens recognize the value of their transportation system and the commitment that is needed to maintain and improve it.

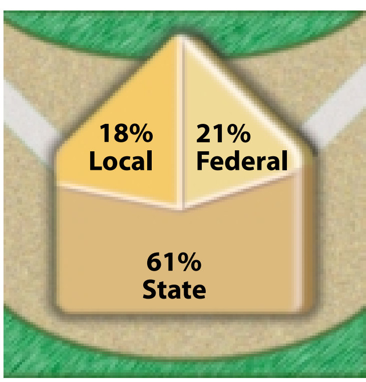
STEPPING UP TO THE PLATE

As of this writing, the current economic conditions of the state may require that funding for the TCRP and other programs as outlined by Proposition 42 be suspended for one year. During the two years that $985 million in TCRP funds have been in place, many projects were initiated that otherwise would not have been possible. All projects identified have work underway with six of the 141 projects already completed. Because the TCRP provided funding to "jump-start" projects, many have secured the additional funding necessary to see them through completion. With the possible one-year suspension of the program, it is anticipated that the state, regional and local transportation agencies will work together to prioritize these projects in consideration of other transportation programs and plans, and that other funding sources will be identified to keep many of these high-priority projects moving.

The TCRP was only one source of funds. For years, local governments in "self help counties" have levied sales taxes upon themselves to support regionally important projects. From 1990 to 2001 these measures have provided over $18 billion for local streets and roads, state highways, transit and rail improvements, and intermodal facilities. These projects strongly depend upon the federal program share for continued existence.

The TCRP, regional sales tax measures, and the passage of Proposition 42, have all contributed to ensuring the integrity of our state's transportation systems. It is imperative that the federal share for the state not be compromised.

Transportation Revenue Sources, FY 2001 (est)



State and local funding account for approximately 80% of all funds used for transportation in California. Many of these locally raised dollars are used to exceed the federal match ratios on projects, or support transportation systems that increase the state's and nation's global preeminence.

Federal Revenues: FTA, FHWA
State Revenues: Highway User Fees, TCRP, STA
Local Revenues: Local Measures, Ports, Local Transportation Funds, Other

STEPPING UP TO THE PLATE

The Federal, State and Local Partnership

Local governments are the front line responders to congestion, growth, and economically related transportation problems. Their constituents experience first hand the negative results of traffic delay in terms of quality of life and economic consequences.

Recognizing that state and federal funding alone is not sufficient to pay for the projects and programs needed to address these issues, counties have moved to increase their local sales taxes to raise additional money. Seventeen counties covering 81% of the state's population have enacted local sales tax measures to fund transportation infrastructure. These measures have been used frequently in conjunction with federal funds to support projects of national, state, and local significance. Usually, these measures add 1/2 cent to the local sales tax and have sunset provisions in their authorization. Between now and 2015 local sales tax transportation measures will generate $31.8 billion for projects and programs. Current and past budget proposals threaten to reduce funding for many of these projects and programs. Without a continued strong federal contribution, many of these projects and programs will be at risk for delays and/or elimination; frequently at the expense to the nation's economic development.

Seventeen counties covering 81% of the state's population have enacted local sales tax measures to fund transportation infrastructure. These measures have been used frequently in conjunction with federal funds to support projects of national, state, and local significance. Typically, these measures add 1/2¢ to the local sales tax and have sunset provisions in their authorization.

SELF-HELP COUNTIES' REVENUES

COUNTY	1990-2015
Alameda	$2,632,590
Contra Costa	$1,106,100
Fresno	$580,850
Imperial	$134,140
Los Angeles A & C	$28,224,400
Madera	$60,850
Orange	$4,296,830
Riverside	$1,967,670
Sacramento	$1,179,750
San Benito	$12,580
San Bernardino	$1,788,200
San Diego	$3,136,640
San Francisco	$1,289,000
San Joaquin	$495,620
San Mateo	$971,150
Santa Barbara	$524,750
Santa Clara A & B	$1,347,736
Santa Clara	$1,953,387
TOTAL	$51,702,243

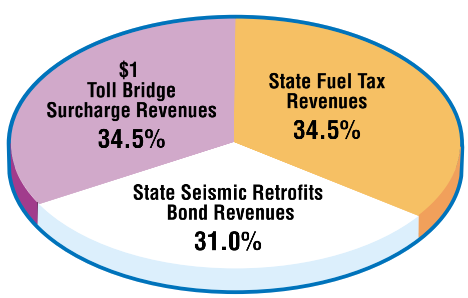
Figures expressed in thousands

Innovative Finance: San Francisco – Oakland Bay Bridge East Span Replacement

The Loma Prieta earthquake in 1989 resulted in considerable damage to the East Span of the San Francisco-Oakland Bay Bridge. On January 2002, the Department of Transportation began construction of the new East Span of the Oakland Bay Bridge after extensive debate.

At an estimated cost of $2.6 billion, the new East Span is designed to withstand a large-scale earthquake, creating a new era of safety for bridge users.

Combining authority provided by Senate Bills 60 and 226 in 1997 and additional funding authority provided through Assembly Bill 1171, which extended the additional $1 toll surcharge to the year 2038, funding for this project will be made possible through the issuance of tax-exempt revenue bonds and from a direct loan through the Federal Transportation Infrastructure Finance and Innovation Act (TIFIA) Program. Debt service on the bonds and the loan will be repaid from toll surcharge revenues. The TIFIA Program provides flexible terms and lower loan costs because interest begins to accrue only as loan proceeds are drawn to meet the cash flow needs of the project.



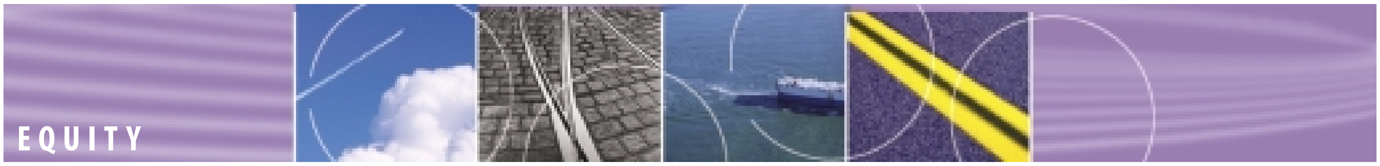
TEA 21's creation of the Transportation Infrastructure Finance Innovation Act (TIFIA), is allowing the state to solve a critical transportation funding problem . Through TIFIA, the Department of Transportation will issue revenue bonds; and will take advantage of lower loan costs.




EQUITY

PRINCIPLES FOR REAUTHORIZATION

- **Ensure that California receives an increased share of highway funding based on its contributions to the Highway Trust Fund and preeminent role in the national economy.**
- **Oppose efforts to impose an arbitrary funding "cap" on the disbursement of formula or discretionary federal transit funds to any state.**
- **Support California's Native American Tribal Governments' efforts to obtain an equitable return from Native American transportation programs.**



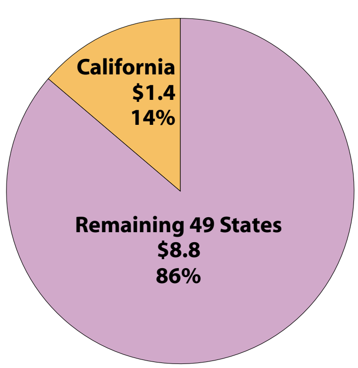
ENSURING OUR SHARE

Equity is about ensuring that our returns from the Highway Trust Fund are sufficient to meet the needs of regions in developing the highways, local streets and roads, transit, and rail systems that comprise the state's transportation systems. Equity is preserving the minimum guarantee provisions of the Highway Account and securing sufficient discretionary allocations for projects of regional or statewide significance. On the transit side, there are no formula guarantees. However, California has done very well in receiving discretionary transit allocations in addition to its formula apportionments by virtue of our population, our success in delivering transit projects that have national value, and the success of our transit systems in attracting high levels of ridership. We must be careful to ensure that Reauthorization does not penalize Calfornia for its success in funding and delivering its transit program and that it recognizes that 1/8 of the nation's population are Californians.

The state's Native American Tribal Governments have similar equity issues related to shares of tribal transportation programs. California's share of the Indian Reservation Road program does not reflect the fact that the state has the largest Native American population in the country.

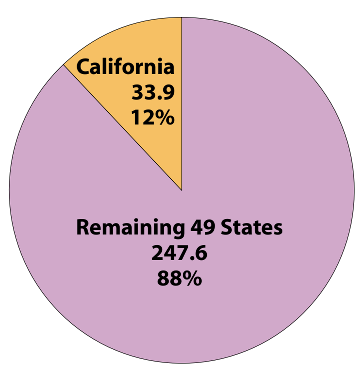
California's principles for equity reflect the need to recognize the state for its role in driving the national economy, maintain the balance in overall program funding between highway and transit that have held the state whole in terms of its return on contribution, and ensure that its Native American Tribal Governments receive a fair share of tribal transportation funding. For California, equity is ensuring that our formula and discretionary allocations from both programs can fund the equipment and infrastructure needed to support the continued growth in use of our transportation systems for the good of the state and our national economy.

GDP 2001



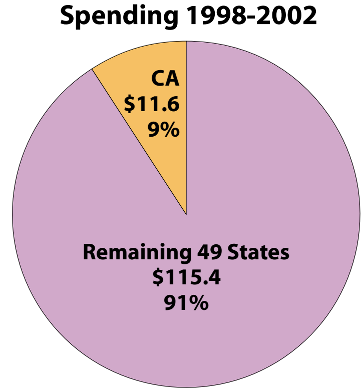
In trillions
Total GDP $10.2 trillion

Population Census 2000

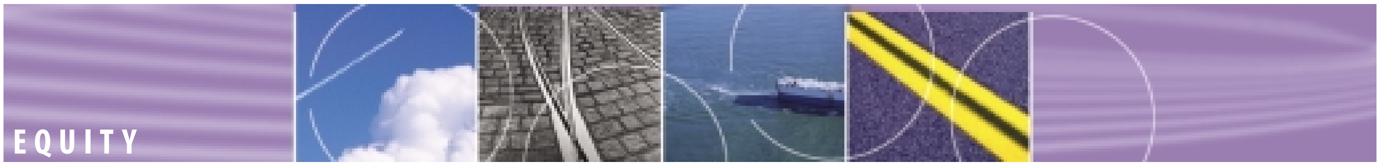


In millions
Total population 281.4 million

California's Share of Highway Spending 1998-2002



In billions
Total $127.0 billion



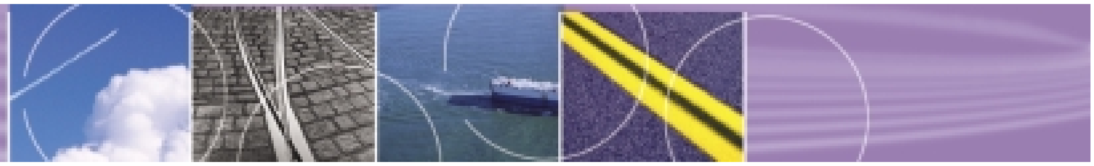
ENSURING OUR SHARE

Minimum Guarantee

Equity has often been discussed in terms of return on contribution. For California, our return rates from the Mass Transit Account (including Federal General Fund allocations for Mass Transit) have been higher than from the Highway Account. This is because our discretionary allocations for New Starts and other transit projects tend to be greater than our highway discretionary allocations. In 2002 California received three times more transit discretionary than highway discretionary funds. These transit investments have yielded a tremendous return. Today 10% of Los Angeles residents take public transit to work; in San Francisco, one-third of residents commute this way. Most of our 29 largest transit systems have shown double-digit growth in ridership between 1995 and 2000. This kind of growth in transit usage has been made possible by federal discretionary spending on light and heavy rail systems and by formula funding on transit bus operations. The net result of this investment has been to enhance our quality of life by reducing congestion and improving air quality. In our urban regions, transit investments play a vital role in maintaining air quality conformity and thus allow a much greater range of transportation projects to move forward under the Federal Clean Air Act.

California's receipts from the Highway Trust Fund Highway Account have grown from approximately $1.8 billion in 1998 to $2.6 billion in 2002. During this same period, our transit receipts (both Mass Transit Account and General Fund) increased from almost $640 million to almost $1 billion ($981 million).

In addition to ensuring that the next transportation act increases funding overall, California must work to ensure that its share of the program is increased. Minimum Guarantee provisions of TEA 21 provide the state with a percentage of core program apportionments that is equal to 90.5% of its percentage share of contributions to the Highway Account. However, Minimum Guarantee does not include discretionary allocations or obligational authority limitation which reduce our share (especially since other states receive a better return on discretionary allocations).



Balancing the System

California is a highly urbanized state; 96.7% of California residents live in a metropolitan area as defined by the U.S. Bureau of the Census. Only New Jersey and the District of Columbia are more urbanized. In the most urbanized parts of the state, the highway and local street networks are mature and options for increasing their capacity are limited or extremely costly. Yet, even in those areas, population growth creates serious demand for mobility. As a consequence, the state and local governments have made growing investments in commuter and urban rail and bus systems with excellent results. Combined ridership on the California's Amtrak intercity rail services has increased by 23% over the life of TEA 21. Other rail lines have experienced similar gains. Ridership increased on Metrolink in Southern California by 35%, BART in the Bay Area by 26%, and the Coaster in San Diego by 34%.

It is clear that, although the state will continue to invest in its highway system in the future, it also needs to invest in alternatives to balance its transportation system by providing choices to relieve congestion, enhance goods movement, meet environmental needs and serve the transit dependent. California is looking at many options to achieve this goal including high-speed rail, increasing commuter rail service, adding new lines and developing housing near mass transit. In November 2004, voters will have the opportunity to approve a $9.95 billion bond for high-speed intercity and commuter rail. BART is working on extending its services to San Jose, and Metrolink is making numerous track, station and equipment improvements to enhance service. Providing these services and transportation infrastructure will necessitate additional investment beyond current record levels. These investments have payoffs in other areas by relieving congestion on roads and increasing capacity for freight rail, which improves mobility for people and goods.

As noted earlier, to the best of their ability, the state and local governments have stepped up to the plate with their funds; we need to ensure that the federal share is also supportive. To balance our transportation system so that each mode provides the most cost effective and efficient service, we must ensure that Reauthorization of TEA 21 achieves an overall increase in transportation funding, continues state flexibility in applying those funds to meet locally determined needs and protects California's apportionment.

Using Our Transit Share: Sacramento Regional Transit

Sacramento, like most urban areas, has experienced rapid growth in population and jobs over the last decade; population is up 25.5% and employment is up 27.5%. Commuters now encounter city streets, bridges, and freeways choked with traffic. The amount of lost time and productivity is enormous, and has a tremendous impact on the regional economy and quality of life.

Regional Transit (RT) is currently undertaking two extensions of its existing light rail transit system; the South Sacramento Corridor, Phase 1 extension along the Union Pacific Railroad alignment from Broadway to Meadowview Road, and the Folsom/Amtrak Corridor, to the City of Folsom along the Union Pacific Railroad (Placerville Branch) alignment from Mather Field Road to downtown Folsom.

The first was funded 50% pursuant to a Full Funding Grant Agreement that received its final appropriation in FY 2002; the second was funded with local, state and state-allocated federal funds. Both rail extensions are on schedule, on budget, and are planned for completion in 2003 and 2004 respectively.

Using Our Transit Share: Altamont Commuter Express

Currently, over 30,000 Central Valley residents commute daily through the Altamont Pass to employment sites in the Bay Area. The Altamont Commuter Express (ACE) is a new commuter train service created in 1997 to meet the increasing demands of commuters from the Central Valley to San Jose. With housing prices in the Bay Area continuing to rise, affordable housing is attracting large numbers of people to the outlying Tri-Valley and Central Valley areas. The Altamont Commuter Express has a current daily ridership for three trains of 3,351. Because this service is so popular, Stanislaus County's Modesto Max bus system is running a connecting service to the ACE Manteca Station. The State expects to relieve the standing-room-only crowding on this service by increasing the schedule to five trains and 6,260 riders daily by the year 2010.

Providing the opportunity to connect with other modes of transportation, and reducing congestion in the crowded 205/580 corridor, ACE links the Central Valley to the Bay Area. In 1995 the joint powers agreement formed the San Joaquin Regional Rail Commission. Together, state and federal resources along with the Measure K 1/2 cent sales tax of the San Joaquin Council of Governments have contributed $115 million to make this service a reality.

Using Our Transit Share: MTA's Metro Rapid Bus Service

Metro Rapid is the MTA's newest bus service for Los Angeles County. It is designed to provide faster regional travel for patrons. Metro Rapid's key features make it faster and easier to use. The system achieves this through simple route layout, frequent service, less frequent stops, level boarding and exiting, color-coded buses and stops and bus priority at intersections. The MTA initiated this service with routes along two corridors: the 26-mile, Wilshire – Whittier Corridor (Montebello – Whittier/Garfield – Santa Monica) and the 16-mile, Ventura Corridor (Universal City Red Line station to Warner Center).

MTA expects to expand Metro Rapid service with another 24 routes over the next five years. As recently as December 2002, two additional Metro Rapid routes were implemented: an 11.9-mile route along Vermont Avenue from Hollywood Boulevard to 120th Street and a 10.5-mile route on South Broadway from the Gateway Plaza adjacent to Union Station to the Metro Green Line.

Using Our Transit Share: OCTA's CenterLine

Maintaining mobility in Orange County is a challenge. Orange County is the fifth most densely populated county in the nation with densities along the alignments in Santa Ana and Costa Mesa rivaling those in San Francisco and Los Angeles. An OCTA initiative would construct the first phase of a light rail system. Along with the partner cities of Santa Ana, Costa Mesa and Irvine, OCTA is performing preliminary engineering on a light rail system, called The CenterLine, which would travel from the University of California Irvine in the south to The Depot in Santa Ana in the north. This system will bring fast, convenient transit service to many of the county's activity, employment, shopping and education centers. More than 340,000 jobs and 415,000 residents are located within two miles of The CenterLine alignment.

The system will have connections to the UC Irvine, South Coast Plaza, and The Performing Arts Center area of Santa Ana. It will also link with Metrolink commuter rail stations, provide convenient access to John Wayne Airport, and completely integrate with OCTA's growing fixed route bus system.

PROGRAM STRUCTURE

PRINCIPLES FOR REAUTHORIZATION

- Continue the basic program structure instituted by ISTEA that provides state, regional, and local officials the flexibility to allocate federal funds to a range of highway, transit, local road, and bicycle/pedestrian improvements based on needs.

- Remove barriers to funding projects and programs that promote more efficient operation of the existing transportation system, such as deleting the three-year limit on the use of Congestion Mitigation and Air Quality Improvement Program (CMAQ) funds and the varying local match requirements among different transportation programs.

- Concentrate any increased funding in the existing highway and transit formula and capital investment programs. Refrain from creating any new discretionary programs beyond those currently authorized by law.

- Provide for increased program capacity to support the safe and efficient movement of goods in corridors that are crucial to national economic security and vitality, and provide for the mitigation of congestion and environmental effects of such movements. Support this effort by using Highway Trust Fund dollars or other federal funding sources for programmatic increases in excess of current authorizations.

PROGRAM AND FUNDING FLEXIBILITY

California is very satisfied with the general structure of the programs laid out by ISTEA and TEA 21. These two Acts established strong partnerships between the state, regions and other transportation stakeholders that must be retained in Reauthorization. The flexibility of these two Acts has allowed local governments and the state broad discretion in resolving transportation problems, reducing congestion, and responding to Californians' desire to improve their quality of life. Most of this flexibility is concentrated in formula based programs which allow a wide range of options for application to transportation systems and bring the decision making process closest to those most affected by the problem. Examples include transferability of funds between programs, broad program eligibility for projects, and the consultative and cooperative planning and programming process between states and metropolitan planning organizations.

There is more that needs to be done. Some programs have limits that restrict their continued use on successful congestion relieving activities such as freeway service patrols. Frequently, bureaucratic procedures delay the timely use of funds. Municipal planning organizations (MPO's), for example, may transfer highway money to transit. However, because the transfer did not coincide with Federal Transit Agency's (FTA's) application cycles for the particular transit category to which the highway funds are being transferred, the MPO may be forced to wait as much as several months before the FTA will process the request. This means nothing gets accomplished with this money during the intervening period.

Match requirements for TEA-21 vary by program and can create difficulties for local governments. In most cases, the required match is 20% state or local contribution. In tight times, it may be difficult for local governments to meet the 20% requirements, especially for essential functions such as bridge rehabilitation and replacement. Match requirements should be reviewed and revised downward during Reauthorization, especially for essential programs.

Rising goods movement volumes on California's transportation system are significantly impacting both highway and rail capacity, congestion, and mobility. More flexibility is needed to allow states to use federal transportation funding to recognize the vital importance of intermodal goods movement to our national economy. A larger commitment of overall funding is also critical to meet these economic and security priorities.

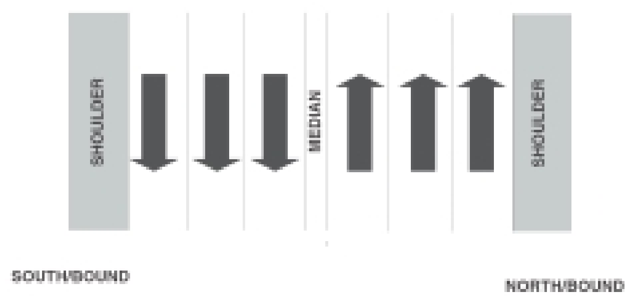
Relieving Congestion: Interstate 5 Corridor Improvement Project

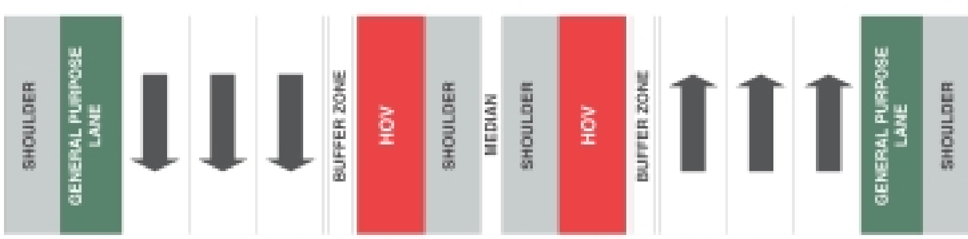
The I-5 Corridor Improvement Project (I-5 CIP) is designed to address current problems of congestion, mobility, goods movement and air quality through a 16- mile corridor between State Route 91 in Orange County to the I-710 in Los Angeles County. This corridor is one of the most congested in California with current vehicle volumes of 228,000 per day, which is forecasted to exceed 500,000 vehicles per day by the year 2015. Being a major goods movement corridor serving the international borders between Mexico and Canada, truck traffic is projected to reach 40,000 per day by the year 2020.

Currently, there is lack of lane continuity between the two counties that exacerbates congestion and negatively impacts air quality. The configuration of the recently improved I-5 south of the I-5 CIP project area is ten lanes. The I-5 in the project area from State Route 91 to I-605 is six lanes with no high occupancy lane facilities. From I-605 to the I-710, the facility is eight lanes. The discontinuity causes almost continuous congestion starting at the Orange County line.

The I-5 Joint Powers Authority in conjunction with Caltrans, FHWA, the Southern California Association of Governments and the Los Angeles County Metropolitan Transportation Authority is working to examine options to provide the much needed lane continuity between the counties and to create a balanced set of options in the corridor. This includes mixed flow and HOV lanes, and other multimodal system improvements. Together these improvements will control congestion and meet environmental requirements for noise and air quality.

EXISTING I-5 FREWWAY CROSS-SECTION IN BUENA PARK AND LOS ANGELIES COUNTY





EXISTING I-5 FREEWAY CROSS-SECTION IN ORANGE COUNTY

Relieving Congestion: Interstate 405 HOV Lanes

Route 405 is a major north-south interstate corridor that is used for international, interstate, interregional and intra-regional travel and goods movement through a highly urbanized area. Congestion in this corridor creates one of the most frustrating experiences that a California motorist can encounter. In January of 2002, the state added 7.8 miles to the then existing 11 miles of HOV lanes on southbound I-405 from the San Fernando Valley to West Los Angeles. This single improvement saved the average HOV lane user 18 minutes for every ride. In mid-January 2003, two miles of an auxiliary lane on the southbound 405 at the Ventura Freeway (101) interchange was opened providing additional capacity and relieving congestion for the 530,000 daily vehicles at this location.

The state and Los Angeles County Metropolitan Transportation Commission (LAMTA) have been working to reduce delay to motorists by developing a comprehensive HOV network that includes I-405 and other state highways. The future of travel on I-405 is expected to increase by approximately 40% over the next 20 years. To meet this traffic demand, 51 more miles of carpool lanes are already under construction working towards a goal of doubling the number of carpool lanes in Los Angeles County by the year 2015 to create additional time savings for even more travelers.

Relieving Congestion: University Transportation Centers

University Transportation Centers (UTC) retained through continued TEA 21 funding have played a vital role in the research, study and analysis of critical transportation issues such as congestion relief, container/cargo goods movement, vehicle and land usage, intelligent transportation systems and most relevant, transportation security and protection from terrorism.

There are three California centers: The Norman Y. Mineta International Institute of Surface Transportation Policy Studies (MTI), California State University at San Jose; University of California, Berkeley (UTC); National Center for Metropolitan Transportation Research (METRANS) at University of Southern California and California State University, Long Beach. These centers play a unique and cutting-edge role in developing new ideas to solve our most serious transportation problems, accelerating and preparing innovative technologies for deployment, and advancing education and training of the next generation of transportation professionals. The newest of these centers, METRANS, is a new transportation research center addressing the areas of commercial goods movement and international trade in metropolitan areas, delivery of transit services and highway infrastructure, and infrastructure renewal. The UTCs have worked hand in hand with The Business, Transportation and Housing Agency and the state's department of transportation (Caltrans) to disseminate information about technological applications; present land transportation anti-terrorism training programs throughout various locations in the U.S. in 2002, and address needs pertaining to transportation systems and policy analysis.

The UTCs are essential to ensuring the state's systems and policies are abreast of technological and operational change and therefore must continue to be funded in future reauthorization legislation.

Photo courtesy of California State University at San Jose

Relieving Congestion: Freeway Service Patrol (FSP)

Supported by Congestion Mitigation Air Quality Funding (CMAQ), the California Highway Patrol (CHP) and local transportation agencies have partnered to provide commute period assistance to clear accidents, assist stranded motorists, remove dangerous debris and help clear congestion through the Freeway Service Patrol Program. Delays increase by four minutes for each minute that an incident or accident remains uncleared. With over 300 tow trucks, CHP trained, certified and supervised drivers patrol in excess of 1,400 miles of freeways statewide; this service assists over 600,000 motorists per year. In addition to assisting motorists, the FSP drivers also take the initial steps in stabilizing and protecting the scene of accidents so that safety is maximized and to prevent secondary collisions.

This service is provided, without additional charge to motorists, in the areas of: Fresno, Los Angeles, Monterey, Orange County, Riverside, Sacramento, San Diego, San Francisco Bay Area, Tracy and Santa Cruz. Under current law, regional governments can only use CMAQ funds for three years to operate services such as the FSP which provide significant air quality benefit and congestion relief. After three years, the regional governments must find another source of funding. Unfortunately, there are few sources of federal or state funds that can be applied to such activities. So, their continued operation is jeopardized.

Relieving Congestion: U.S. 50 Corridor

The U.S.50 corridor in Eastern Sacramento and Western El Dorado County has become a high technology manufacturing and services base in recent years. Employers are attracted to the area by a well-educated work force, favorable weather, low housing costs, and excellent transportation facilities. Communities that were once quaint getaways for people travelling to Lake Tahoe or Reno have now become bedroom communities and employment centers in their own right. The newly constructed HOV lanes on Highway 50 are currently saving five to seven minutes in each direction for weekday morning and afternoon commuters. During the busiest morning commute hour, the new HOV lanes are carrying 1,975 people in 875 vehicles. By comparison, the average mixed flow lane carried 1,960 people in 1,925 vehicles during the same hour. The Highway 50 HOV Project from Folsom Boulevard to El Dorado Hills Boulevard/Latrobe Road is an example of TEA 21 flexibility and partnership in addressing the growth and increasing congestion in this corridor. The project is a joint funding effort by the state and El Dorado County Transportation Commission.




EXPEDITING PROJECT DELIVERY

PRINCIPLES FOR REAUTHORIZATION

- **Link permitting agency review and approval to environmental review processes for environmentally responsible and expeditious project delivery. Federal agencies should coordinate policy and share financial and staff resources to integrate and expedite use of authorized funds to meet local, state, and national transportation and environmental priorities.**

- **Provide states with financial incentives such as enhanced and coordinated funding to assure the use of integrated review and planning procedures.**

- **Pursue a California pilot program demonstrating coordination of effort and funding between the state and federal permitting agencies and regulatory structures.**

STEWARDSHIP

TEA 21 provided several tools to help the state work to improve its environment, most notably through the Transportation Enhancement Activities and the Congestion Mitigation and Air Quality Programs. Using these and other tools, California's transportation agencies have been very successful in developing projects that have enhanced the state's quality of life. Some of these projects have restored habitat that had been destroyed, improved air and water quality, and preserved historic resources. We owe this sensitivity to our surroundings to our natural desire to live in a healthy environment and to the state and federal laws that California has had a hand in creating to protect it.

California has been, and will continue to be, the national leader in developing transportation projects that represent the most sound and practical alternative for protecting our natural resources while moving people and goods throughout our state. However, there are pressing needs for transportation services and infrastructure around the state and we are having difficulties in developing the projects that can meet these needs in an environmentally sensitive manner. The difficulties arise, not from requirements of our laws, but from within the structure of the processes, the availability of resources and competent personnel to administer them, and a general lack of funding to create the comprehensive plans and programs that can identify environmental issues and recommend ways to either avoid or mitigate them. To help expedite project delivery, the Business Transportation and Housing Agency, California EPA and California Resources Agency have entered into a Tri-Agency Partnership to better coordinate environmental review and approvals under state laws.

To be able to meet the challenge of environmental quality and transportation system development, we must ensure that there are adequate resources at the federal, state and regional levels, and we also must be sure that the processes are diligent without being duplicative or unnecessarily long.

BEING PROACTIVE

California has the most diverse and largest number of native species and second highest number of at-risk species in the nation. As the state's population continues to grow, it becomes more difficult to develop projects without increasing pressure on their habitat. Yet, it is the presence of these and other species and their habitats that make California such an attractive place to live and visit. Balancing their needs against providing needed transportation infrastructure becomes more problematic unless there is flexibility in the federal statutes addressing mitigation needs. This often becomes a factor in delaying project development.

Currently, most mitigation takes place on a project by project basis, leading to individual mitigation projects that may or may not have linkage to larger ecosystems. Although the state has met its legal commitments under environmental laws, the longer-term viability of ecosystems and the unique species dependent upon them could be better served while making transportation projects less expensive and easier to deliver. In some areas, it may make more sense to take a more comprehensive approach by addressing mitigation on a corridor level. This would allow the state to link together unrelated but cumulative projects in the corridor and mitigate them on a cost-effective proactive basis. If the federal statutes were amended, states could begin mitigation earlier in the process and use the leveraging power of a larger pool of funds to acquire better and more comprehensive habitat for species preservation. As projects in the corridor are developed, the need for environmental mitigation will have already been met through the corridor approach.

To be successful, federal and state agencies will have to shift the way of doing business under the environmental process. Regulatory agencies will need to become involved in the early planning stages to help identify species and habitat and approve mitigation plans and acquisition based on larger scale planning. Transportation agencies will need to provide state and federal funding earlier in the process for habitat acquisition and implement flexibility in the project design to accommodate the input of the resource agencies. If these shifts can be achieved, projects can be developed in a more timely manner and we can better achieve the intent of our environmental preservation laws.

Stewardship & Planning Ahead: Riverside and San Joaquin Counties

A new approach to planning, the Riverside County Integrated Plan (RCIP) is the first of its kind in the nation. The RCIP is an integrated program to determine future conservation, transportation, housing and economic needs. In an effort to improve the quality of life for current and future residents, the County of Riverside and the Riverside County Transportation Commission (RCTC) have embarked on a comprehensive planning process to determine future placement of buildings, roads, and open spaces for Riverside County. This process has been named the Riverside County Integrated Project (RCIP) and will create three plans that are interrelated.

The plans include a General Plan for land use and housing; a Multiple Species Habitat Conservation Plan (MSHCP) to determine what land should be set aside as open space and maintained for plant and animal conservation; and the Community and Environmental Transportation Acceptability Process (CETAP) identifying improvements for highways and transit systems. For many years, transportation, land use, and environmental planning have occurred independently. This combined effort seeks to create plans that are coherent, consistent and more time efficient.

Another innovative environmental effort, the San Joaquin County Multi-Species Habitat Conservation and Open Space Plan, is in its first year of implementation. During its 50-year life, the program will acquire over 100,000 acres of habitat for the purpose of preserving 97 threatened or endangered species in San Joaquin County. This is the first countywide habitat program, and the first containing provisions to protect neighboring landowners.

The plan was recognized in 2001 by the National Association of Regional Councils as the top regional planning project in the country. The combined efforts of local jurisdictions, the San Joaquin Council of Governments and federal and state resource agencies have brought about a program that streamlines the approval process for development projects including state transportation projects and assures that mitigation for endangered habitat will occur in the vicinity of the project.

Other counties are considering this approach in developing their General Plans. Federal funding for this type of planning will facilitate its adoption by more counties and improve environmental quality of transportation projects statewide.

Stewardship & Planning Ahead: Lake Tahoe Restoration

Beginning in 1997, a federal partnership of five cabinet-level agency secretaries, together with the states of California and Nevada and a number of other private and public agencies joined together to environmentally improve and maintain the clarity of Lake Tahoe.

Currently, $101 million has been approved in the 2002 State Highway Operations Protection Plan for erosion control and storm-water treatment projects for the Tahoe Basin. The state's transportation department (Caltrans) has been actively involved in this effort through its planning and design of transportation projects. By taking steps which will improve drainage, prevent pollutant runoff, and control erosion, Lake Tahoe will retain the status of being "one of the three clearest lakes in the world".

TO DATE SOME OF THE STEPS TAKEN INCLUDE:

- Reducing traction sand use;
- Increasing sand recovery;
- Using low-phosphorous sand (eliminating the detrimental nutrient phosphorous);
- Retrofitting snow storage areas with runoff collection and treatment systems;
- Using "special oil emulsion layer" on the surface of Highway 50 which has been described as "a hard as nails sealant" that will not only extend the life of the pavement but will also lessen pollutant runoff from the roadway surface.

California Business Transportation and Housing Agency
980 9th Street
Sacramento, CA 95814
916-323-5400 - Maria Contreras-Sweet

Amador County Transportation Commission
11400 American Legion Drive, Suite A
Jackson, CA 95642
209-267-2282 - Charles Field

Associated General Contractors of California
3095 Beacon Boulevard
West Sacramento, CA 95691
916-371-2422 - Tony Grasso

Association of Monterey Bay Area Governments
445 Reservation Road, Suite G
Marina, CA 93933—0809
831-883-3750 - Nicolas Papadakis

Automobile Club of Northern California
980 9th Street, Suite 2080
Sacramento, CA 95814
916-443-2577 - Robert Brown

Automobile Club of Southern California
3333 Fairview Road, A131
Costa Mesa, CA 92626
714-885-2307 - Stephen Finnegan

Calaveras Council of Governments
P.O. Box 280 L692 Marshall, Unit A
San Andreas, CA 95249
209-754-2094 - George Dondero

California Association of Councils of Government
1127 11th Street, Suite 101
Sacramento, CA 95814
916-557-1170 - Rusty Selix

California Business Roundtable
1215 K Street, Suite 1570
Sacramento, CA 95814
916-553-4093 - William Hauck

California Cement Promotion Council
263 West El Pintado Road
Danville, CA 94526
925-838-0701 - David Holman

California Chamber of Commerce
1215 K Street, Suite 1400
Sacramento, CA 95814
916-444-6770 - Allan Zaremberg

California Department of Transportation
1120 N Street
Sacramento, CA 95814
916-654-5266 - Jeff Morales

California State Association of Counties
1100 K Street, Suite 101
Sacramento, CA 95814
916-327-7500 Ext. 506 Secretary
Ext. 508 Steven C. Szalay

California State Council of Laborers
1121 L Street, Suite 802
Sacramento, CA 95814
916-447-7018 - Chuck Center

California Transit Association
1414 K Street, Suite 320
Sacramento, CA 95814
916-446-4656 - Joshua Shaw

California Trucking Association
3251 Beacon Blvd. W.
Sacramento, CA 95691
916-373-3558 - Warren Hoeman

California-Nevada Conference of Operating Engineers
1121 L Street, Suite 410
Sacramento, CA 95814
916-440-8710 - Tim Crimmens

Council of Fresno County Governments
2100 Tulare Street, Suite 619
Fresno, CA 93721-2111
559-233-4148 - Barbara Goodwin

El Dorado County Transportation Commission
550 Main Street, Suite C
Placerville, CA 95667
530-642-5260 - Gary Keill

Glenn County Transportation Commission
P.O. Box 1070
Willows, CA 95988-2298
530-934-6530 - Thomas Tinsley

Kern Council of Governments
1401 9th Street, Suite 300
Bakersfield, CA 93301
661-861-2191 - Ronald E. Brummett

Kings County Association of Governments
Kings County Government Center
1400 West Lacey Blvd.
Hanford, CA 93230
559-582-3211 - William Zumwalt

League of California Cities
1400 K Street
Sacramento, CA 95814
916-658-8226 - Chris K. McKenzie

Los Angeles County Metropolitan Transportation Authority
One Gateway Plaza Mall Stop 99-3-1
Los Angeles, CA 90012-2952
213-922-2469 - David Yale

Los Angeles County Mobility 21
350 South Bixel Street
Los Angeles, CA 90017
213-580-7558 - Marisa Perez

LOSSAN
c/o SANDAG
401 B Street, Suite 800
San Diego, CA 92101
619-595-5357 - Julie Ann Nygaard

Madera County Transportation Commission
1816 Howard Rd., Suite 8
Madera, CA 93637
559-675-0721 - Patricia Taylor-Maley

Mendocino Council of Governments
367 N. State Street, Suite 206
Ukiah, CA 95482
707-463-1859 - Phil Dow

Merced County Association of Governments
369 18th Street
Merced, CA 95340
209-733-3153 ext. 301 - Jess Brown

Metropolitan Transportation Commission
Metro Center
101 8th Street
Oakland, CA 94607-4700
510-464-7810
510-464-7858 - Steven Heminger

Orange County Transportation Authority
550 South Main Street
Orange, CA 92863-1584
714-560-5584 - Chris McCandless

Orange North American Trade Rail Access Corridor Authority
3040 Saturn Street, Suite 201
Brea, CA 92821-6274
714-577-5819 - Norman Emerson

Placer County Transportation Planning Agency
550 High Street, Suite 107
Auburn, CA 95603
530-823-4030 - Celia McAdam

Professional Engineers In California Government
660 J Street, Suite 445
Sacramento, CA 95814
916-446-0400
800-338-1480 - Bruce Blanning

Reservation Transportation Authority
28860 Old Town Front Street
Temecula, CA 92590-2892
909-308-1432 - Bo Mazetti

Riverside County Transportation Commission
3560 University, Suite 100
Riverside, CA 92501
909-787-7141 - Eric Haley

Sacramento Area Council of Governments
3000 S Street, Suite 300
Sacramento, CA 95816
916-457-2264 - Martin Tuttle

San Bernardino Associated Governments
472 N. Arrowhead Avenue
San Bernardino, CA 92401
909-884-8276 - Norm King

San Diego Association of Governments
Wells Fargo Plaza
401 B Street
San Diego, CA 92101
619-595-5300 - Gary Gallegos

San Joaquin Council of Governments
6 South El Dorado Street, Suite 400
Stockton, CA 95202
209-468-3913 - Julia Greene

San Luis Obispo Council of Governments
1150 Osos Street, Suite 202
San Luis Obispo, CA 93401
805-781-4219 - Ronald L. Decarli

Santa Barbara County Association of Governments
222 East Anapamu St., Suite 11
Santa Barbara, CA 93101
805-568-2546 - William Derrick

Santa Cruz County Regional Transportation Commission
1532 Pacific Avenue
Santa Cruz, CA 95060-I3911
831-460-3200 - Linda Wilshusen

Shasta County Regional Transportation Agency
1855 Placer Street
Redding, CA 96001
530-225-5654 – Dan Kovacich

Silicon Valley Manufacturers Group
226 Airport Parkway, #190
San Jose, CA 95110
408-501-7864 - Carl Guardino

Southern California Association of Governments
818 West 7th Street, 12th Floor
Los Angeles, CA 90017
213-236-1808 - Mark Pisano

Stanislaus Council of Governments
900 H Street, Suite D
Modesto, CA 95354
209-558-7830 - Gary C. Dickson

Transportation Agency for Monterey County
55-B Plaza Circle
Salinas, CA 93901-2902
831-755-0903 - Lee Yarborough

Tulare County Association of Governments
Resource Management Agency Tulare County
Government Plaza
5961 So. Mooney Blvd.
Visalia, CA 93277
559-733-6291 - George Finney

Ventura County Transportation Commission
950 County Square Dr., Suite 207
Ventura, CA 93003
805-642-1591 - Ginger Gherardi

Senator Barbara Boxer (D)
112 Hart
Washington, D.C.
202-224-3553
415-956-6701

Senator Dianne Feinstein (D)
331 Hart
Washington, D.C.
202-224-3831
FAX 202-228-3954

District 1
***Mike Thompson (D)**
119 Cannon
Washington, D.C.
202-225-3311
FAX 202-225-4335

District 2
Wally Herger (R)
2268 Rayburn
Washington, D.C.
202-225-3076
FAX 202-225-1740

District 3
Doug Ose (R)
236 Cannon
Washington, D.C.
202-225-5716
FAX 202-226-1298

District 4
John Doolittle (R)
2410 Rayburn
Washington, D.C.
202-225-2511
FAX 202-225-5444

District 5
Robert Matsui (D)
2310 Rayburn
Washington, D.C.
202-225-7163
FAX 202-225-0566

District 6
Lynn Woolsey (D)
2263 Rayburn
Washington, D.C.
202-225-5161
FAX 202-225-5163

District 7
George Miller (D)
2205 Rayburn
Washington, D.C.
202-225-2095

District 8
Nancy Pelosi (D)
2371 Rayburn
Washington, D.C.
202-225-4965
FAX 202-225-8259

District 9
Barbara Lee (D)
1724 Longworth
Washington, D.C.
202-225-2661
FAX 202-225-9817

District 10
***Ellen O. Tauscher (D)**
1034 Longworth
Washington, D.C.
202-225-1880
FAX 202-225-5914

District 11
Richard W. Pombo (R)
2411 Rayburn
Washington, D.C.
202-225-1947

District 12
Tom Lantos (D)
2413 Rayburn
Washington, D.C.
202-225-3531

District 13
Pete Stark (D)
239 Cannon
Washington, D.C.
FAX 202-225-5065
FAX 202-226-3805

District 14
Anna G. Eshoo (D)
205 Cannon
Washington, D.C.
202-225-8104
FAX 202-225-8890

District 15
***Mike Honda (D)**
1713 Longworth
Washington, D.C.
202-225-2631
FAX 202-225-2699

District 16
Zoe Lofgren (D)
102 Cannon
Washington, D. C.
FAX 202-225-3072
FAX 202-225-3336

District 17
Sam Farr (D)
1221 Longworth
Washington, D.C.
202-225-2861
FAX 202-225-6791

District 18
Dennis Cardoza (D)
503 Cannon
Washington, D.C.
FAX 202 -225-6131

District 19
George Radanovich (R)
438 Cannon
Washington, D.C.
202-2254540
FAX 202-225-3402

District 20
Calvin M. Dooley (D)
1201 Longworth
Washington, D.C.
202-225-3341
FAX 202-225-9308

District 21
Devin Nunes (R)
1017 Longworth
Washington, D.C.
202-225-2523
FAX 202-225-3404

District 22
Bill Thomas (R)
2208 Rayburn
Washington, D.C.
202-225-2915
FAX 202-225-8798

District 23
Lois Capps (D)
1707 Longworth
Washington, D.C.
202-225-3601
FAX 202-225-5632

District 24
Elton Gallegly (R)
2427 Rayburn
Washington, D.C.
202-225-5811
FAX 202-225-1100

District 25
"Howard ""Buck"" McKeon" (R)
2351 Rayburn
Washington, D.C.
202-225-1956
FAX 202-225-0683

District 26
David Dreier (R)
237 Cannon
Washington, D.C.
202-225-2305

District 27
Brad Sherman (D)
1030 Longworth
Washington, D.C.
202-225-5911
FAX 202-225-5879

District 28
Howard L. Berman (D)
2221 Rayburn
Washington, D.C.
202-225-4695

*House Transportation and Infrastructure Committee Member

District 29
Adam B. Schiff (D)
326 Cannon
Washington, D.C.
202-225-4176
FAX 202-225-5828

District 30
Henry A. Waxman (D)
2204 Rayburn
Washington, D.C.
202-225-3976
FAX 202-225-4099

District 31
Xavier Becerra (D)
1119 Longworth
Washington, D.C.
202-225-6235
FAX 202-225-2202

District 32
Hilda Solis (D)
1725 Longworth
Washington, D.C.
202-225-5464
FAX 202-225-5467

District 33
Diane E. Watson (D)
125 Cannon
Washington, D.C.
202-225-7084
FAX 202-225-2422

District 34
Lucille Roybal-Allard (D)
2330 Rayburn
Washington D.C.
202-225-1766
FAX 202 -225-0350

District 35
Maxine Waters (D)
2344 Rayburn
Washington, D.C.
202-225-2201
FAX 202-225-7854

District 36
Jane Harman (D)
2400 Rayburn
Washington, D.C.
202-225-8220
FAX 202-225-7290

District 37
***Juanita Millender-McDonald (D)**
1514 Longworth
Washington, D.C.
202-225-7924
FAX 202-225-7926

District 38
Grace F. Napolitano (D)
1609 Longworth
Washington, D.C.
202-225-5256
FAX 202-225-0027

District 39
Linda T. Sanchez (D)
1007 Longworth
Washington, D.C.
202-225-6676
FAX 202-226-1012

District 40
Edward R. Royce (R)
2202 Rayburn
Washington, D.C.
202-225-4111
FAX 202-226-0335

District 41
Jerry Lewis (R)
2112 Rayburn
Washington, D.C.
FAX 202-225-5861
FAX 202-225-6498

District 42
***Gary G. Miller (R)**
1037 Longworth
Washington, D.C.
FAX 202-225-3201
FAX 202-226-6962

District 43
Joe Baca (D)
328 Cannon
Washington, D.C.
FAX 202-225-6161
FAX 202-225-8671

District 44
Ken Calvert (R)
2201 Rayburn
Washington, D.C.
202-225-1986

District 45
Mary Bono (R)
404 Cannon
Washington, D.C.
202-225-5330
FAX 202-225-2961

District 46
Dana Rohrabacher (R)
2338 Rayburn
Washington, D.C.
202-225-2415
FAX 202-225-0145

District 47
Loretta Sanchez (D)
1230 Longworth
Washington, D.C.
202-225-2965
FAX 202-225-5859

District 48
Christopher Cox (R)
2402 Rayburn
Washington, D.C.
202-225-5611
FAX 202-225-9177

District 49
Darrell E. Issa (R)
211 Cannon
Washington, D.C.
FAX 202-225-3906
FAX 202-225-3303

District 50
"Randy""Duke"" Cunningham" (R)
2350 Rayburn
Washington, D.C.
FAX 202-225-5452
FAX 202-225-2558

District 51
***Bob Filner (D)**
2428 Rayburn
Washington, D.C.
202-225-8045
FAX 202-225-9073

District 52
Duncan Hunter (R)
2265 Rayburn
Washington, D.C.
202-225-5672
FAX 202-225-0235

District 53
Susan A. Davis (D)
1224 Longworth
Washington, D.C.
FAX 202-225-2040
FAX 202-225-2948

*House Transportation and Infrastructure Committee Member

Reauthorization Principles

Funding

- Increase funding levels by raising annual obligation limits and spending down the unobligated balances in the Highway Trust Fund.

- Maintain the guaranteed funding levels and "firewalls" established in TEA 21 that match transportation expenditures to transportation revenues.

- Retain the Revenue Aligned Budget Authority (RABA) mechanism, but distribute the proceeds consistent with the historical split of gas tax proceeds both to the Highway and Mass Transit Accounts.

- Develop a mechanism to use available Highway Trust Fund balances to dampen the large swings in funding that could result from negative RABA adjustments. There should not be a major reduction in funding levels when Highway Trust Fund balances are high and can be used to mitigate negative RABA adjustments.

- Allow for easier access to and/or flexibility in qualifying projects from approved Regional Transportation Plans for innovative financing. This effort would include the modification of regulations and/or incentives for innovative financing arrangements including increased capitalization of infrastructure banks, debt-financing flexibility, direct treasury financing, access to public-private joint ventures, and the broadening of eligibility rules of the innovative financing program.

Equity

- Ensure that California receives an increased share of highway funding based on its contributions to the Highway Trust Fund and preeminent role in the national economy.

- Oppose efforts to impose an arbitrary funding "cap" on the disbursement of formula or discretionary federal transit funds to any state.

- Support California's Native American Tribal Governments' efforts to obtain an equitable return from Native American transportation programs.

Program Structure

- Continue the basic program structure instituted by ISTEA that provides state, regional, and local officials the flexibility to allocate federal funds to a range of highway, transit, local road, and bicycle/pedestrian improvements based on needs.

- Remove barriers to funding projects and programs that promote more efficient operation of the existing transportation system, such as deleting the three-year limit on the use of Congestion Mitigation and Air Quality Improvement Program (CMAQ) funds and the varying local match requirements among different transportation programs.

- Concentrate any increased funding in the existing highway and transit formula and capital investment programs. Refrain from creating any new discretionary programs beyond those currently authorized by law.

- Provide for increased program capacity to support the safe and efficient movement of goods in corridors that are crucial to national economic security and vitality, and provide for the mitigation of congestion and environmental effects of such movements. Support this effort by using Highway Trust Fund dollars or other federal funding sources for programmatic increases in excess of current authorizations.

Expediting Project Delivery

- Link permitting agency review and approval to environmental review processes for environmentally responsible and expeditious project delivery. Federal agencies should coordinate policy and share financial and staff resources to integrate and expedite use of authorized funds to meet local, state, and national transportation and environmental priorities.

- Provide states with financial incentives such as enhanced and coordinated funding to assure the use of integrated review and planning procedures.

- Pursue a California pilot program demonstrating coordination of effort and funding between the state and federal permitting agencies and regulatory structures.